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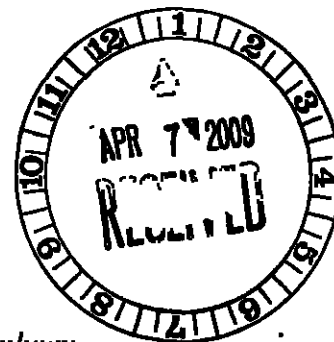
April 7, 2009

Honorable Anne K. Quinlan
Acting Secretary
Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423

ENTERED
Office of Proceedings

APR - 7 2009

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RE Docket No. AB-1030 (Sub-No. 1X), *Huron & Eastern Railway Company, Inc. — Abandonment Exemption — in Shiawassee County, MI*

Dear Acting Secretary Quinlan:

Enclosed are the original and 10 copies of a Petition for Exemption for the Huron & Eastern Railway Company, Inc. ("HESR") to abandon a 2.5-mile rail line between Owosso, milepost 0.0, and the end of the line, milepost 2.5, in Shiawassee County, MI. Also enclosed are a check from HESR for the filing fee of \$6,300, and a computer diskette containing the Petition in Word and pdf format.

Please time and date stamp the additional copy of this letter and the Petition and return them with our messenger. I thank you for your assistance.

If you have any questions please call or email me.

Sincerely yours,

Melanie B. Yasbin
Attorney for Huron & Eastern Railway Company, Inc.

Enclosures

FILED
APR - 7 2009
SURFACE
TRANSPORTATION BOARD

FEE RECEIVED
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SURFACE
TRANSPORTATION BOARD

BEFORE THE
SURFACE TRANSPORTATION BOARD

Docket No AB-1030 (Sub-No 1X)

224833

HURON & EASTERN RAILWAY COMPANY, INC
-ABANDONMENT EXEMPTION-
IN SHIAWASSEE COUNTY, MI

PETITION FOR EXEMPTION

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SURFACE
TRANSPORTATION BOARD

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Company, Inc

Dated April 7, 2009

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

Docket No AB-1030 (Sub-No 1X)

**HURON & EASTERN RAILWAY COMPANY, INC –ABANDONMENT EXEMPTION–
IN SHIAWASSEE COUNTY, MI**

PETITION FOR EXEMPTION

Huron & Eastern Railway Company, Inc (“HESR”) petitions the Surface Transportation Board (“Board”) to exempt, under 49 U.S.C. § 10502, HESR’s abandonment of a 2.5-mile rail line between Owosso, milepost 0.0, and the end of the line, milepost 2.5, in Shiawassee County, MI (the “Line”) from the prior approval requirements of 49 U.S.C. § 10903.

Abandonment will allow HESR to avoid costs incurred by continued ownership of the Line. The traffic from the one shipper on the line, Airgas Specialty Products (“ASG”), has declined from 21 carloads in 2005 to 17 carloads in 2006, 14 carloads in 2007, nine carloads in 2008, and no carloads to date in 2009. There is no longer sufficient demand for rail service to justify the costs incurred by HESR in maintaining, operating, and owning the Line. Upon receipt of abandonment authority, HESR proposes to salvage the track and materials on the Line, but leave the ballast, bridges, and culverts in place because of potential interest in interim trail use/rail banking. At its southern end, the Line connects to the north end of another Michigan trail.

PROPOSED TRANSACTION

HESR proposes to abandon the 2.5-mile rail line between Owosso, milepost 0.0, and the end of the line, milepost 2.5, in Shiawassee County, MI. The Line traverses Zip Codes 48841 and 48867. A colored map of the Line is attached as Exhibit A (and at the end of this pleading). Exhibit B consists of the Combined Environmental and Historic Report. The draft Federal Register Notice is in Exhibit C, and copies of the newspaper publication and the required certification are in Exhibit D. The certificate of service is in Exhibit E. Exhibit F contains the Verified Statement of Mark D. Garvin, Director of Capital Planning-Estimates for all of the subsidiary railroads of RailAmerica, Inc. ("RailAmerica"). Mr. Garvin addresses the value of the track and material on the Line, the need for rehabilitation, and the cost of maintenance. Exhibit G contains the Verified Statement of Mr. Robert M. Frelich, Jr., and addresses the costs of operating over the Line. In Exhibit H, Mr. Todd N. Cecil, Vice President-Real Estate, presents the value of the real estate. Exhibit I contains color copies of the exhibits.

Based on information in HESR's possession, the Line does not contain federally granted right-of-way. Any documentation in HESR's possession concerning title will be made available to those requesting it. There is a station at Owosso Jet.

BACKGROUND

HESR acquired the Line from Central Michigan Railway Company in 2004.¹ The only shipper on the Line, AGS, is located at the end of the Line. The volume of traffic shipped to AGS has declined from 21 carloads in 2005 to 17 carloads in 2006, 14 carloads in 2007, and nine carloads in 2008. No carloads have moved over the line to date in 2009. AGS receives service

¹ *Huron & Eastern Railway Company, Inc. – Acquisition and Operation Exemption—Central Michigan Railway Company*, STB Finance Docket No. 34438 (STB served February 4, 2004).

on an as needed basis, generally once or twice per month. AGS receives Anhydrous Ammonia, a hazardous material, in tank cars. There is no longer sufficient demand for rail service to justify the costs incurred by HESR in maintaining, operating and owning the Line. HESR is incurring avoidable losses of \$17,038 on the Line.

The demand for service over the Line is very light. The Line is listed as Federal Railroad Administration ("FRA") Class I track. As described below, abandoning the Line will permit HESR to save (1) rehabilitation costs of \$243,600, (2) the annual maintenance costs of the Line of \$14,944 and (3) opportunity costs of \$65,721. HESR will salvage the track and materials, which have an estimated net liquidation value of \$230,239. In addition, HESR intends to sell the Line for interim trail use/rail banking. The value of the real estate is about \$150,000 based on Mr. Cecil's expert analysis of the valuation of real estate.

Upon receipt of abandonment authority, HESR plans to salvage the track and materials on the Line, but leave the ballast, bridges, and culverts in place because of the potential interest in interim trail use/rail banking. The track and materials will be sold as scrap.

A. Traffic on the Line.

Traffic on the Line has decreased since HESR acquired the Line. The total yearly volume of traffic has decreased over the last several years from 21 carloads in 2005 to 9 carloads in 2008. No traffic has moved over the line to date for 2009. ASG is located at the southern end of the Line and is the only shipper. There is no local opportunity to increase traffic on the Line. Mr. Frelich determined that Forecast Year traffic would generate annual revenue of \$6,273.

B. HESR will incur costs to rehabilitate the Line.

The Line is currently in Federal Railroad Administration ("FRA") Class I condition. However, HESR has deferred maintenance on the Line. In his attached Verified Statement, Mr.

Garvin explains that to keep the Line in FRA Class I condition, HESR will be required to make \$243,600 in capital expenditures to rehabilitate the Line. This will include \$153,600 for tie replacement and installation, and \$90,000 to repair road crossings

C. HESR will incur costs to maintain the Line.

HESR has kept maintenance costs to a minimum over the past three years. According to Mr. Garvin, HESR expects to spend about \$5,000 per mile for annual maintenance, or a total of \$12,500. Weekly inspection costs would be an additional \$2,444.52 per year. Total annual maintenance costs for the Line would be \$14,944. Garvin VS. In addition, as part of its capital expenditures, HESR would need to spend \$243,600 to replace ties and to maintain the road crossings.

D. The Cost of Operations.

Based on Forecast Year traffic, Mr. Frelich has determined that it costs HESR \$8,817 per year to operate the Line.

E. The Line Incurs Avoidable Losses.

In the Forecast Year, the Line will generate revenue of \$6,273. Also in the Forecast Year, operating costs will be \$8,817 and maintenance costs will be \$14,944. Based on revenues and costs, HESR will incur avoidable losses of \$17,038 in the Forecast Year. An avoidable loss, in and of itself is a burden on the railroad and interstate commerce, especially where there has been declining traffic.

F. Calculation of opportunity costs.

Opportunity costs (or total return on value of road property) reflect the economic loss experienced by a carrier from forgoing a more profitable alternative use of its assets. Under *Abandonment Regulations—Costing*, 31 C.C.2d 340 (1987), the opportunity cost of road property is computed on an investment base equal to the sum of (1) allowable working capital, (2) the net liquidation value (NLV) of the line, and (3) current income tax benefits (if any) resulting from abandonment. The investment base (or valuation of the road properties) is multiplied by the current nominal rate of return, to yield the nominal return on value. The nominal return is then adjusted by applying a holding gain (or loss) to reflect the increase (or decrease) in value a carrier will expect to realize by holding assets for 1 additional year.²

1. Calculation of net salvage value (“NSV”).

Mr. Garvin is the Director of Capital Planning-Estimates for RailAmerica. He is responsible for the development of maintenance and rehabilitation plans for RailAmerica's subsidiary railroads. Based on HESR's records, an inspection of the Line, the latest costs of rail materials, and the cost of removal and transportation, Mr. Garvin calculates the NSV of the Line to be \$230,239 (See Exhibit F and the Exhibit thereto).

2. Calculation of the value of real estate (“VRE”).

The VRE has been calculated by Mr. Cecil to be \$150,000, based on Mr. Cecil's vast experience. Hence, the net liquidation value (“NLV”) of the Line is \$380,239.

3. Calculation of 15 days working capital.

Mr. Frelich calculated the cost of operating the Line to be \$8,817 per year. Working capital for the computation of opportunity costs is calculated as 15 days of the costs of the Line. Therefore, HESR has totaled the operating costs and maintenance costs (\$14,944), divided them by 365 and multiplied that amount by 15 to arrive at the 15 days of working capital of \$976.

4. Nominal cost of capital.

² *Wisconsin Central Ltd.—Abandonment—in Ozaukee, Sheboygan and Manitowoc Counties, WI*, STB Docket No. AB-303 (Sub-No. 27) (STB served October 18, 2004), at 10-11.

The Board has recently accepted the nominal cost of capital for a Class III railroad of 17.24 percent.³ Therefore, HESR has decided to use 17.24 percent as the nominal cost of capital in calculating the opportunity costs of the Line.

5. Income tax consequences.

The book value of the Line is \$380,239. The NLV of \$380,239 less the book value yields no gain. Therefore, sale of the Line will have no tax consequences.

6. Holding gain.

Because of the volatility of the market for scrap and reusable steel and the decline in the market for real estate, HESR estimates that there will be no holding gain or loss in the current economic environment. The Board has accepted such an analysis.⁴

7. Calculation of Opportunity Costs.

The following Table shows the opportunity cost calculation.

Working Capital	\$ 976
NLV	\$380,239
Taxes	\$ 0
Holding Gain	\$ 0
Valuation	\$381,215
Nominal Rate of Return	17.24%
Opportunity Cost	\$ 65,721

G. Alternate transportation.

The main highways serving the same area as the Line are Michigan Routes 21, 52, and 71, as well as local roads. The limited traffic that the Line carried has found alternates to rail.

³ *Central Oregon & Pacific Railroad, Inc.—Abandonment and Discontinuance—in Coos, Douglas, and Lane Counties, OR*, STB Docket No. AB-515 (Sub-No. 2) (STB served October 31, 2008).

⁴ *San Joaquin Valley Railroad Company—Abandonment Exemption—in Tulare County, CA*, STB Docket No. AB-398 (Sub-No. 7X) (STB served June 6, 2008) at 4.

transportation as demonstrated by the decline in traffic. Therefore, there is alternate transportation service available

H. Summary.

Continued ownership and operation of the Line by HESR will continue to be a burden on HESR and interstate commerce. HESR will incur an avoidable loss of \$17,038 in the Forecast Year. HESR will incur rehabilitation costs of \$243,600 and opportunity costs of \$65,721. HESR will be able to sell the real estate for interim trail use/rail banking or other uses for about \$150,000 and will be able to reuse or sell the track and materials, which is valued at about \$230,239. In addition, there is alternate transportation service available.

There will be little harm, if any, to ASG whose use of the Line had declined over the past several years.

HESR contends that in balancing the harm to itself and interstate commerce against the harm to shippers and local interests, the balance clearly favors abandonment.

ARGUMENT SUPPORTING THE ABANDONMENT

HESR seeks an exemption under 49 U.S.C. § 10502 from the applicable requirements of 49 U.S.C. § 10903 in order to abandon the Line.

Under 49 U.S.C. § 10502, the Board must exempt a transaction from regulation when it finds that:

(1) regulation is not necessary to carry out the rail transportation policy of 49 U.S.C. § 10101, and

(2) either

(a) the transaction is of limited scope, or

(b) regulation is not necessary to protect shippers from the abuse of market power.

The legislative history of Section 10502 reveals a clear Congressional intent that the Board should liberally use its exemption authority to free certain transactions from the administrative and financial costs associated with continued regulation. In enacting the Staggers Rail Act of 1980, Pub L No 96-488, 94 Stat 1895, Congress encouraged the Board's predecessor agency to liberally use the expanded exemption authority under former Section 10505

The policy underlying this provision is that while Congress has been able to identify broad areas of commerce where reduced regulation is clearly warranted, the Commission is more capable through the administrative process of examining specific regulatory provisions and practices not yet addressed by Congress to determine where they can be deregulated consistent with the policies of Congress. The conferees expect that, consistent with the policies of this Act, the Commission will pursue partial and complete exemption from remaining regulation.

H R Rep No 1430, 96th Cong 2d Sess 105 (1980). See also *Exemption From Regulation--Boxcar Traffic*, 367 U.S. 424, 428 (1983), vacated and remanded on other grounds, *Brae Corp v United States*, 740 F.2d 1023 (D.C. Cir 1984). Congress reaffirmed this policy in the conference report accompanying the ICC Termination Act of 1995, Pub L No 104-88, 109 Stat 803, which re-enacted the rail exemption provision as Section 10502. H R Rep No 422, 104th Cong, 1st Sess 168-69 (1995).

A. The Application of 49 U.S.C. § 10903 Is Not Necessary to Carry Out the Rail Transportation Policy

Detailed scrutiny of this transaction is not necessary to carry out the rail transportation policy. An exemption would minimize the unnecessary expense associated with the preparation and filing of a formal abandonment application, expedite regulatory decisions and reduce regulatory barriers to exit. 49 U.S.C. § 10101 (2) and (7). The only shipper on the Line does not

generate enough traffic to cover the costs of operation, much less the opportunity costs on the Line

HESR will avoid rehabilitation costs of \$243,600, annual maintenance costs of \$14,944, and opportunity costs of \$65,721. HESR will receive \$230,239 for salvaging the track and material in the Line and \$150,000 for the real estate. Abandonment will allow HESR to avoid an annual operating loss of \$17,038. Granting this exemption, therefore, fosters sound economic conditions and encourages efficient management by permitting the rationalization of an unnecessary rail line. 49 U.S.C. § 10101 (3), (5) and (9). Other aspects of the rail transportation policy are not adversely affected. For example, competition and the continuation of a sound rail transportation system are not affected since the public will not be deprived of any needed rail services.

B. This Transaction Is Of Limited Scope

The proposed transaction is of limited scope. HESR seeks to abandon a 2.5-mile line in one county in Michigan.

C. This Transaction Will Not Result In An Abuse Of Market Power.

HESR is abandoning the Line. There is a minimal amount of traffic shipped over the Line and there are alternative transportation services available.

COMBINED ENVIRONMENTAL AND HISTORIC REPORT

A Combined Environmental and Historic Report is in Exhibit B.

FEDERAL REGISTER NOTICE

A draft Federal Register notice is attached hereto as Exhibit C.

LABOR PROTECTION

The interests of railroad employees of HESR who may be adversely affected by the proposed abandonment will be adequately protected by the labor protective conditions in *Oregon Short Line R Co Abandonment-Goshen*, 360 I C C 91 (1979)

CONCLUSION

Application of the regulatory requirements and procedures of 49 U.S.C § 10903 to the abandonment of the Line proposed by HESR is not required to carry out the rail transportation policy set forth in 49 U.S.C § 10101, as previously shown. Nor is Board regulation required to protect shippers from the abuse of market power. Moreover, this abandonment is of limited scope.

Accordingly, HESR respectfully urges the Board to grant an exemption for the proposed abandonment of the Line.

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Respectfully Submitted,



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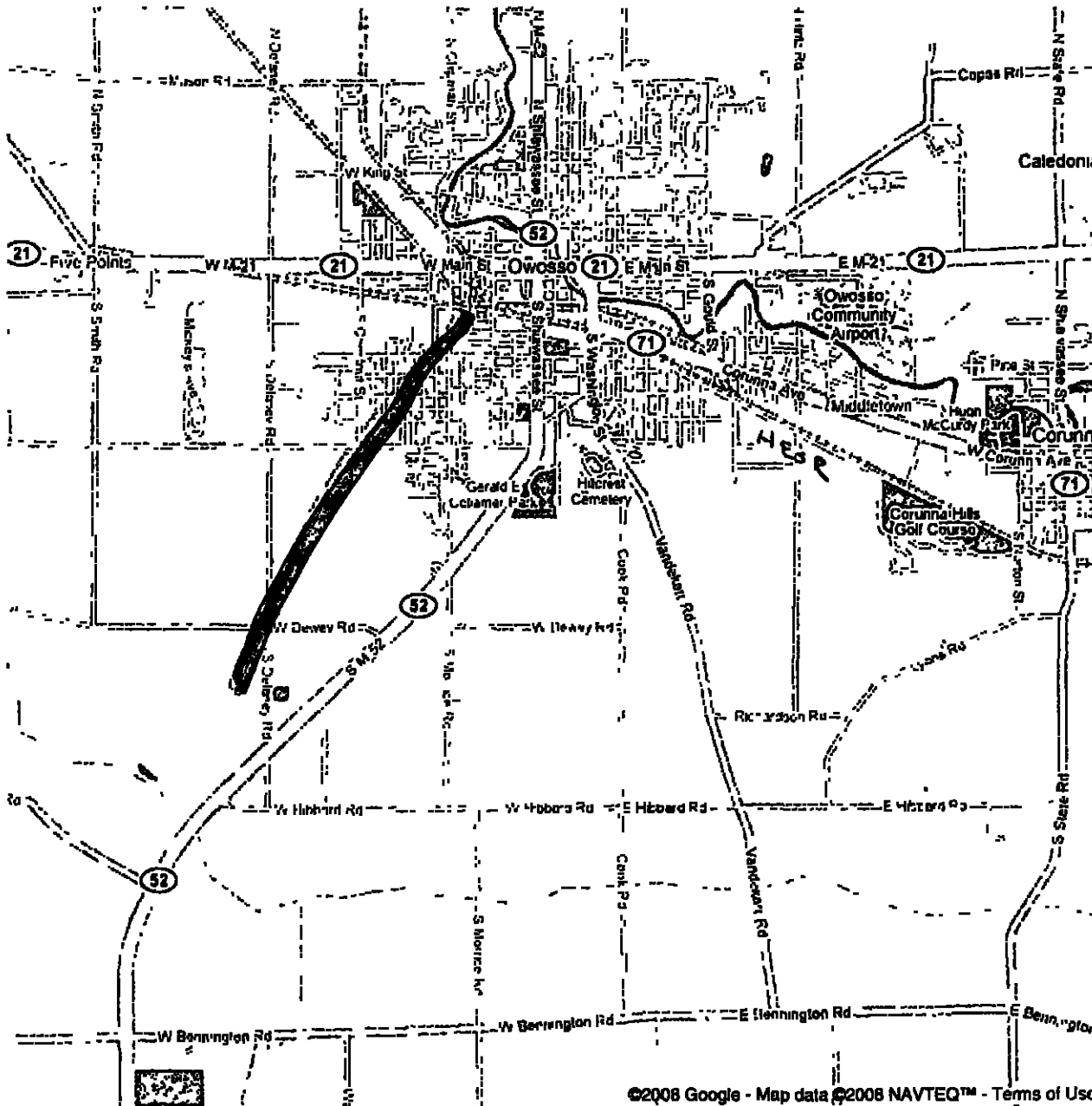
Dated April 7, 2009

EXHIBIT A-MAP

Google
Maps

Get Google Maps on your phone

Text the word "GMAPS" to 466453



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Owosso, MI

Proposed Abandonment



EXHIBIT B—COMBINED ENVIRONMENTAL AND HISTORIC REPORT

COMBINED ENVIRONMENTAL AND HISTORIC REPORT
(49 C F R 1105.7 and 1105.8)

Docket No. AB-1030 (Sub-No. 1X)

**HURON & EASTERN RAILWAY COMPANY, INC. –ABANDONMENT EXEMPTION–
IN SHIAWASSEE COUNTY, MI**

Dated November 21, 2008

ENVIRONMENTAL REPORT

(1) Proposed Action and Alternatives Describe the proposed action, including commodities transported, the planned disposition (if any) of any rail line and other structures that may be involved, and any possible changes in current operations or maintenance practices. Also describe any reasonable alternatives to the proposed action. Include a readable, detailed map and drawings clearly delineating the project.

Huron & Eastern Railway Company, Inc. ("HESR") proposes to abandon the 2.5-mile rail line between Owosso, milepost 0.0, and milepost 2.5, the end of the line, in Shiawassee County, MI (the "Line"). Upon receipt of abandonment authority from the Surface Transportation Board (the "Board"), HESR proposes to convert the Line to interim trail use/rail banking under 16 U.S.C. §1247(d) through the sale of the Line to a trails group. At its southern end, the Line connects to the north end of another trail in Michigan. HESR will salvage the track and materials from the Line, but will leave the ballast, bridges and culverts in place for the use of the trail.

Abandonment of the Line will result in the removal of the rail. HESR does not intend to disturb any sub grade or sub grade structures and does not intend to remove any bridge structures. The operations and maintenance of the line will cease. Removal of the Line will result in the elimination of six public road crossings.

The only shipper on the Line, Airgas Specialty Products ("AGS") is located at the end of the Line. The volume of traffic shipped to AGS has declined from 21 carloads in 2005 to 17

carloads in 2006, 14 carloads in 2007, and seven carloads through October 31, 2008. AGS receives service on an as needed basis, generally once or twice per month. AGS receives Anhydrous Ammonia in tank cars.

There are two alternatives to a full abandonment. One alternative would be for HESR not to abandon the Line. The Line is a stub end track and therefore has no overhead traffic. With declining traffic, HESR has decided to seek abandonment of the Line. The other more likely alternative will be for HESR to sell the Line for interim trail use/rail banking. It would be HESR's preference to obtain authority to abandon the Line and convert it to interim trail use/rail banking.

Color copies of Exhibit 3-USGS Maps in this Combined Environmental and Historic Report ("CEHR") are being served only on the Michigan Historic Center. Black and white copies of these documents are being served in the other copies of this CEHR, but HESR will provide color copies of Exhibit 3 upon request.

A map of the proposed abandonment is attached hereto as Exhibit 1.¹

(2) Transportation System Describe the effects of the proposed action on regional or local transportation systems and patterns. Estimate the amount of traffic (passenger or freight) that will be diverted to other transportation systems or modes as a result of the proposed action.

There is no passenger traffic on the Line, so none will be diverted to other modes as a result of the proposed abandonment. The Line handles very few carloads of freight. Based on the 2007 traffic volume of 14 carloads, HESR projects that at most 56 truckloads would be diverted to motor carrier. Accordingly, the proposed abandonment should have no adverse effects on regional or local transportation systems and patterns.

¹ The copy of the map that accompanied the information-gathering letter has been removed from that letter. That map was the same as the map in Exhibit 1 accompanying this report.

(3) Land Use (i) Based on consultation with local and/or regional planning agencies and/or a review of the official planning documents prepared by such agencies, state whether the proposed action is consistent with existing land use plans. Describe any inconsistencies. (ii) Based on consultation with the U.S. Soil Conservation Service, state the effect of the proposed action on any prime agricultural land. (iii) If the action affects land or water uses within a designated coastal zone, include the coastal zone information required by 1105.9. (iv) If the proposed action is an abandonment, state whether or not the right-of-way is suitable for alternative public use under 49 U.S.C. § 10905 and explain why.

(i) HESR considers the proposed abandonment to be consistent with existing land use plans. Other than in Owosso, the land adjoining the Line is mainly rural in character.

HESR contacted Shiawassee County, MI and the city of Owosso, MI by letters dated November 21, 2008. See Exhibit 2. No response has been received as of this date. A copy of this CEHR has been mailed to the appropriate local and state agencies for their information and further comment.

(ii) HESR does not believe that there is any prime agricultural land that will be affected. HESR notified the United States Department of Agriculture ("USDA") Natural Resources Conservation Service (the agency succeeding to the responsibilities of the Soil Conservation Service) of the proposed abandonment by letter dated November 21, 2008, and requested assistance in identifying any potential effects on prime agricultural land. See Exhibit 2.

(iii) The Line does not pass through a designated coastal zone.

(iv) HESR believes that the Line is suitable for interim trail use/ rail banking.

(4) Energy (i) Describe the effect of the proposed action on transportation of energy resources. (ii) Describe the effect of the proposed action on recyclable commodities. (iii) State whether the proposed action will result in an increase or decrease in overall energy efficiency and explain why. (iv) If the proposed action will cause diversions from rail to motor carriage of more than (A) 1,000 rail carloads a year, or (B) an average of 50 rail carloads per mile per year for any part of the affected line, quantify the resulting net change in energy consumption and show the data and methodology used to arrive at the figure given.

(i) The proposed abandonment will have no effect on the transportation of energy resources.

(ii) The proposed abandonment will have no effect on the transportation of recyclable commodities

(iii) The proposed abandonment will have minimal effect on overall energy efficiency due to the limited traffic using the Line

(iv) The proposed abandonment will not cause the diversion more than 1,000 rail carloads a year, or an average of 50 rail carloads per mile per year for any part of the Line of rail traffic to motor carriage

(5) Air. (i) If the proposed action will result in either (A) An increase in rail traffic of at least 100 percent (measured in gross ton miles annually) or an increase of at least eight trains a day on any segment of rail line affected by the proposal, or (B) an increase in rail yard activity of at least 100 percent (measured by carload activity), or (C) an average increase in truck traffic of more than 10 percent of the average daily traffic or 50 vehicles a day on any affected road segment, quantify the anticipated effect on air emissions. For a proposal under 49 U.S.C. § 10901 (or § 10505) to construct a new line or reinstitute service over a previously abandoned line, only the eight train a day provision in sub-section (5)(i)(A) will apply. (ii) If the proposed action affects a class I or nonattainment area under the Clean Air Act, and will result in either (A) an increase in rail traffic of at least 50 percent (measured in gross ton miles annually) or an increase of at least three trains a day on any segment of rail line; (B) an increase in rail yard activity of at least 20 percent (measured by carload activity), or (C) an average increase in truck traffic of more than 10 percent of the average daily traffic or 50 vehicles a day on a given road segment, then state whether any expected increased emissions are within the parameters established by the State Implementation Plan. However, for a rail construction under 49 U.S.C. § 10901 (or 49 U.S.C. § 10505), or a case involving the reinstitution of service over a previously abandoned line, only the three train a day threshold in this item shall apply. (iii) If transportation of ozone depleting materials (such as nitrogen oxide and freon) is contemplated, identify the materials and quantity; the frequency of service, safety practices (including any speed restrictions), the applicant's safety record (to the extent available) on derailments, accidents and spills, contingency plans to deal with accidental spills, and the likelihood of an accidental release of ozone depleting materials in the event of a collision or derailment.

(i) The proposed abandonment will not result in meeting or exceeding the specified thresholds

(ii) The proposed abandonment will not result in meeting or exceeding the specified thresholds

(iii) The proposed abandonment will not affect the transportation of ozone depleting materials.

(6) Noise If any of the thresholds identified in item (5)(i) of this section are surpassed, state whether the proposed action will cause: (i) an incremental increase in noise levels of three decibels Ldn or more, or (ii) an increase to a noise level of 65 decibels Ldn or greater. If so, identify sensitive receptors (e.g., schools, libraries, hospitals, residences, retirement communities, and nursing homes) in the project area, and quantify the noise increase for these receptors if the thresholds are surpassed.

Not applicable

(7) Safety. (i) Describe any effects of the proposed action on public health and safety (including vehicle delay time at railroad grade crossings). (ii) If hazardous materials are expected to be transported, identify: the materials and quantity, the frequency of service, whether chemicals are being transported that, if mixed, could react to form more hazardous compounds; safety practices (including any speed restrictions); the applicant's safety record (to the extent available) on derailments, accidents and hazardous spills; the contingency plans to deal with accidental spills, and the likelihood of an accidental release of hazardous materials. (iii) If there are any known hazardous waste sites or sites where there have been known hazardous materials spills on the right-of-way, identify the location of those sites and the types of hazardous materials involved.

(i) The proposed abandonment will have no detrimental effects on public health and safety. HESR will cease operating over the Line. As a result of the abandonment, HESR will remove six public road crossings.

(ii) The proposed abandonment will not affect the transportation of hazardous materials.

(iii) HESR is not aware of any known hazardous waste sites or sites where there have been known hazardous materials spills on the Line.

(8) Biological Resources. (i) Based on consultation with the U.S. Fish and Wildlife Service, state whether the proposed action is likely to adversely affect endangered or threatened species or areas designated as a critical habitat, and if so, describe the effects. (ii) State whether wildlife sanctuaries or refuges, National or State parks or forests will be affected, and describe any effects.

(i) HESR does not believe that the proposed action is likely to adversely affect endangered or threatened species or areas designated as a critical habitat. HESR notified the

U S Fish and Wildlife Service ("USF&W") of the proposed abandonment by letter dated November 21, 2008, and requested assistance in determining whether the proposed abandonment will adversely affect endangered or threatened species or areas designated as a critical habitat *See Exhibit 2* To date, no response to this request has been received A copy of this Report was supplied to the USF&W for its information and further comment

(ii) No wildlife sanctuaries or refuges, National or State parks or forests will be affected by HFSR's abandonment of the Line

HFSR notified the National Parks Service of the proposed abandonment by letter dated November 21, 2008, and requested assistance in identifying any potential effects on wildlife sanctuaries or refuges, National or State parks or forests *See Exhibit 2* To date, no response to this request has been received A copy of this Report is being supplied to the National Park Service for its information and comment

(9) Water (i) Based on consultation with State water quality officials, state whether the proposed action is consistent with applicable Federal, State or local water quality standards Describe any inconsistencies (ii) Based on consultation with the U S Army Corps of Engineers, state whether permits under section 404 of the Clean Water Act (33 U S C § 1344) are required for the proposed action and whether any designated wetlands or 100-year flood plains will be affected Describe the effects (iii) State whether permits under section 402 of the Clean Water Act (33 U S.C § 1342) are required for the proposed action

(i) HFSR is confident that the proposed abandonment will be consistent with applicable water quality standards HFSR contacted the Michigan Department of Environmental Quality ("MIDEQ") and the United States Environmental Protection Agency ("USEPA") by letters dated November 21, 2008 *See Exhibit 2* To date, no response to this request has been received A copy of this Report has been supplied to the MIDEQ and USEPA for their information and comment

(ii) HESR believes that no permits under section 404 of the Clean Water Act are required for the proposed abandonment and that no designated wetlands or 100-year flood plains will be affected by the proposed abandonment. HESR does not plan to salvage the ballast, bridges, or culverts on the Line so that they can be used when the Line is converted to interim trail use/rail banking. Upon receiving abandonment authority, removal of material will be accomplished by use of the right-of-way for access, along with existing public and private crossings. No new access roads are contemplated. HESR does not intend to disturb any of the underlying roadbed or perform any activities that would cause sedimentation or erosion of the soil, and does not anticipate any dredging or use of fill in the removal of the track material. Debris will be transported away from the Line and will not be discarded along the right-of-way nor be placed or left in streams or wetlands, or along the banks of such waterways. Also, during track removal, appropriate measures will be implemented to prevent or control spills from fuels, lubricants or any other pollutant materials from entering any waterways. Based upon this course of action, HESR does not believe a permit under Section 404 of the Clean Water Act will be required.

HESR contacted the U.S. Army Corps of Engineers by letter dated November 21, 2008 and has received no response to date. See Exhibit 2. A copy of this Report has been supplied to the U.S. Army Corps of Engineers for its information and comment.

(iii) HESR believes that no permit under section 402 of the Clean Water Act would be required for the abandonment. HESR does not plan to salvage the ballast, bridges, or culverts on the Line so that they can be used when the Line is converted to interim trail use/rail banking. HESR contacted the MIDEQ and the USEPA by letter dated November 21, 2008. See Exhibit 2. To date, no response to this request has been received. A copy of this Report has been supplied to the MIDEQ and USEPA for their information and further comment.

(10) Proposed Mitigation. Describe any actions that are proposed to mitigate adverse environmental impacts, indicating why the proposed mitigation is appropriate

HESR does not expect any adverse environmental impact from the proposed abandonment and, therefore, see no need for any mitigating actions. HESR will, of course, adhere to any remedial actions suggested by the recipients of this Report, which are required by the Board

HISTORIC REPORT

1. A U.S.G.S. topographic map (or alternate map drawn to scale and sufficiently detailed to show buildings and other structures in the vicinity of the proposed action) showing the location of the proposed action, and the locations and approximate dimensions of railroad structures that are 50 years old or older and are part of the proposed action,

U.S. Geological Survey Maps have been supplied to the Michigan Historic Center ("MIHC"). *See* Exhibit 3

2. A written description of the right of way (including approximate widths, to the extent known), and the topography and urban and/or rural characteristics of the surrounding area;

The 2.5-mile right-of-way is generally between 77 and 99 feet wide

The Line begins in Owosso at the connection with HESR's east west line, an elevation of about 760 feet. The Line travels in a southwesterly direction out of Owosso. The Line crosses South Street and travels through an area of marshes. The Line then crosses the intersection of Delaney Road and Dewey Road. South of Dewey Road the Line ends at an elevation of 750 feet near the AGS facility.

3. Good quality photographs (actual photographic prints, not photocopies) of railroad structures on the property that are 50 years old or older and of the immediately surrounding area,

There are no bridges on the Line that are 50 years old or older. HESR intends to leave the ballast, bridges, and culverts intact for trail use. Therefore, HESR will not be removing any

of the bridges on the line HESR will only remove the track and materials from the bridges, but will leave the bridges in place for trail use

4 The date(s) of construction of the structure(s), and the date(s) and extent of any major alterations, to the extent such information is known,

None

5. A brief narrative history of carrier operations in the area, and an explanation of what, if any, changes are contemplated as a result of the proposed action,

In 1858, the Amboy, Lansing and Traverse Bay railroad built the Line as part of the railroad built south from Owosso towards Lansing and eventually arrived at the Lansing area. This route later became the Jackson, Lansing & Saginaw Railroad, then the Michigan Central Railroad, then the New York Central, and then Penn Central. HESR acquired the Line from Central Michigan Railway Company in 2004.

HESR has consistently served AGS on an as needed basis. As a result of the abandonment, HESR will stop providing service to AGS and the traffic will be diverted to truck.

6. A brief summary of documents in the carrier's possession, such as engineering drawings, that might be useful in documenting a structure that is found to be historic,

HESR possesses the valuation maps of the Line, but is not aware of any other documentation in its possession.

7. An opinion (based on readily available information in the railroad's possession) as to whether the site and/or structures meet the criteria for listing on the National Register of Historic Places (36 C.F.R. 60.4), and whether there is a likelihood of archeological resources or any other previously unknown historic properties in the project area, and the basis for these opinions (including any consultations with the State Historic Preservation Office, local historical societies or universities),

HESR believes that the bridges and structures on the Line are not unusual or noteworthy for inclusion on the National Register of Historic Places. It is also HESR's opinion that there are no archeological resources or other railroad related historic properties in the project area. Moreover, since HESR is agreeable to converting the Line to interim trail use/rail banking,

HESR does not plan to alter, remove or dispose of any of the bridges that are on the Line

8 A description (based on readily available information in the railroad's possession) of any known prior subsurface ground disturbance or fill, environmental conditions (naturally occurring or manmade) that might affect the archeological recovery of resources (such as swampy conditions or the presence of toxic waste), and the surrounding terrain

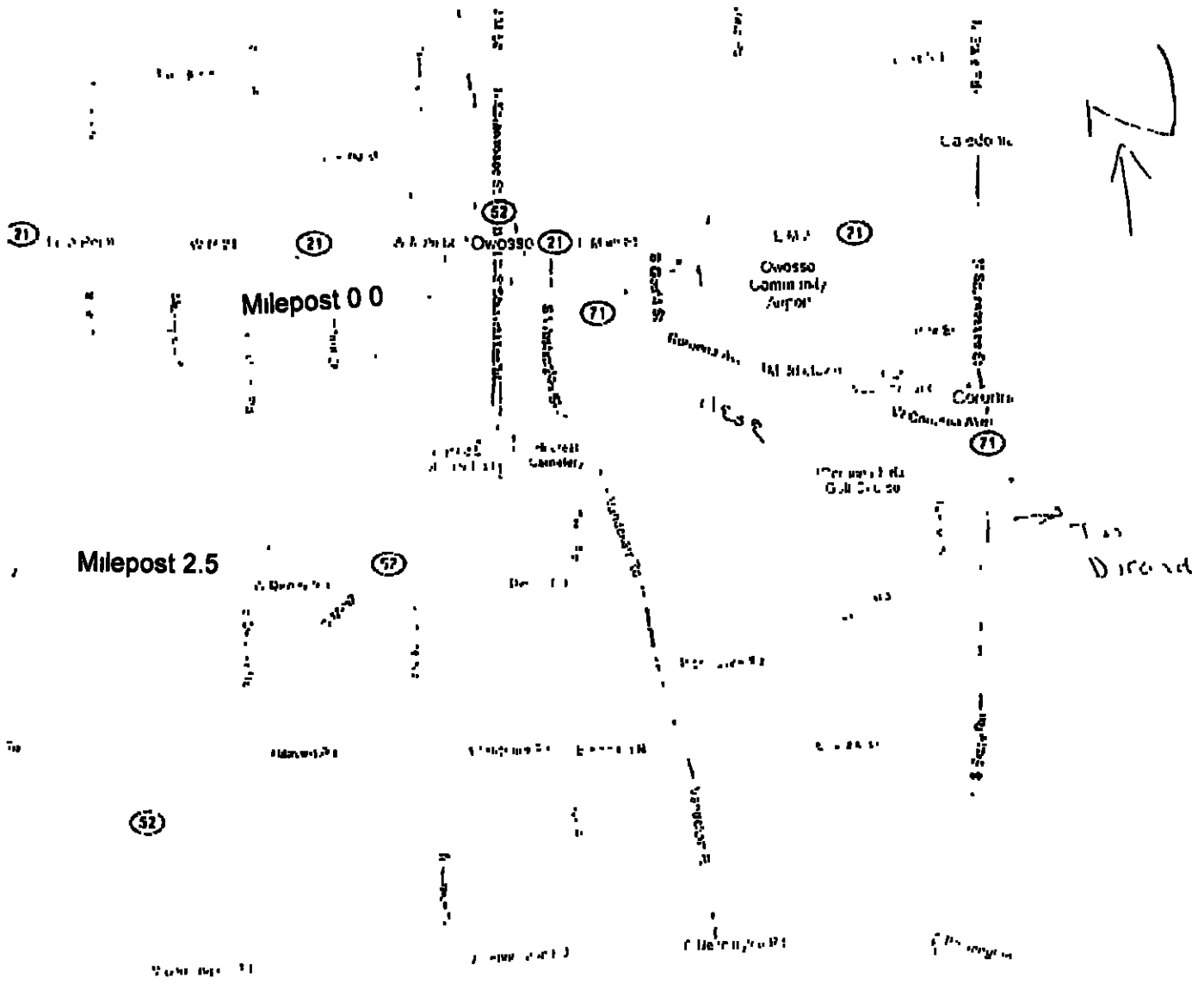
HESR believes that there are no existing records as to the nature of any known subsurface ground disturbance or fill, or environmental conditions that might affect the archeological recovery of any potential resources

9 Within 30 days of receipt of the historic report, the State Historic Preservation Officer may request the following additional information regarding specific non railroad owned properties or groups of properties immediately adjacent to the railroad right-of-way: photographs of specified properties that can be readily seen from the railroad right-of-way (or other public rights-of-way adjacent to the property) and a written description of any previously discovered archeological sites, identifying the location and type of the site (*i.e.* prehistoric or native American).

HESR does not foresee the likelihood that any additional information will need to be supplied in association with the proposed abandonment other than that information previously submitted. *But, if any additional information is requested, HESR will promptly supply the necessary information.* In addition to submitting this CEHR to MIHC, HESR will also file an Application for Section 106 Review with MIHC.

HESR contacted MIHC. *See Exhibit 2* No response has been received. A copy of this CEHR has been mailed to MIHC

EXHIBIT 1 – MAP



©2008 Google Map data ©2008 NAVTEQ™ Terms of Use

Owosso, MI

Proposed Alignment

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EXHIBIT 2 – LETTERS

**LAW OFFICES OF
LOUIS E. GITOMER**

LOUIS E. GITOMER
LOU_GITOMER@VERIZON.NET

November 21, 2008

THE ADAMS BUILDING, SUITE 301
600 BALTIMORE AVENUE
TOWSON, MARYLAND 21204-4022
(202) 466-6532
FAX (410) 332-0885

Michigan Department of Environmental Quality
P O. Box 30473-7973
Lansing, MI 48909

RE. *Docket No AB-1030 (Sub-No 1X), Huron & Eastern Railway Company,
Inc -Abandonment Exemption-in Shiawassee County, MI*

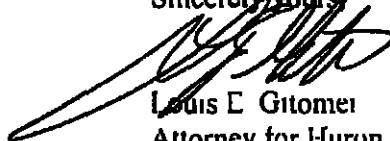
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Attached is a Combined Environmental and Historic Report describing the proposed action and any expected environmental and historic effects, as well as a map of the affected area. We are providing this report so that you may review the information that will form the basis for the STB's independent environmental analysis of this proceeding. If any of the information is misleading or incorrect, if you believe that pertinent information is missing, or if you have any questions about the STB's environmental review process, please contact the Section of Environmental Analysis (SEA), Surface Transportation Board, 395 E Street, SW, Washington, DC 20423, telephone 202-245-0295 and refer to the above Docket No AB-1030 (Sub-No 1X)

Because the applicable statutes and regulations impose stringent deadlines for processing this action, your written comments to SEA (with a copy to our representative) would be appreciated within 3 weeks. Your comments will be considered by the STB in evaluating the environmental impacts of the contemplated action. If there are any questions concerning this proposal, please contact our representative directly. Our representative in this matter is Louis E. Gitomer who may be contacted by telephone at 410-296-2250, email at Lou_Gitomer@verizon.net, or mail at Law Offices of Louis E. Gitomer, 600 Baltimore Avenue, Suite 301, Towson, MD 21204.

Sincerely, yours,



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Attorney for Huron & Eastern Railway
Company, Inc

Enclosures

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November 21, 2008

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(202) 466-6532
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Manager, Federal Project Review
Michigan Department of Commerce
Michigan Neighborhood Builders Alliance
P O Box 30242
Lansing, MI 48909

RE: Docket No AB-1030 (Sub-No 1X), *Huron & Eastern Railway Company,
Inc -Abandonment Exemption-in Shiawassee County, MI*

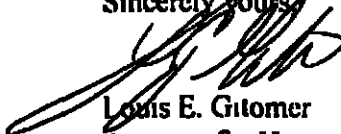
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November 21, 2008

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(202) 466-6532
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Michigan Historic Center
702 West Kalamazoo Street
P O Box 30740
Lansing, MI 48909-8240

RE: Docket No AB-1030 (Sub-No 1X), *Huron & Eastern Railway Company,
Inc -Abandonment Exemption-in Shiawassee County, MI*

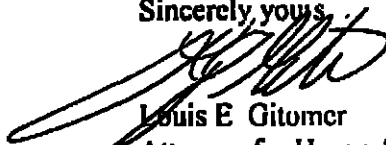
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November 21, 2008

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(202) 466 6532
FAX (410) 332-0885

Detroit District Headquarters
U S Army Corps of Engineers
Detroit District
477 Michigan Ave
Detroit, MI 48226

RE: Docket No AB-1030 (Sub-No. 1X), *Huron & Eastern Railway Company,
Inc --Abandonment Exemption--in Shiawassee County, MI*

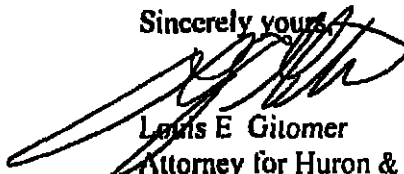
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November 21, 2008

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TOWSON, MARYLAND 21204-4022
(202) 466-6532
FAX (410) 332 0885

USDA Natural Resources Conservation Service
3001 Coolidge Street
East Lansing, MI 48823-6350

RE: Docket No. AB-1030 (Sub-No. IX), *Huron & Eastern Railway Company,
Inc. - Abandonment Exemption in Shiawassee County, MI*

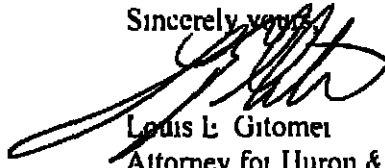
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November 21, 2008

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U S Environmental Protection Agency, Region 5
Metcalf Building
Office of Strategic Environmental Analysis
77 West Jackson Boulevard, Mailcode B-19J
Chicago, IL 60604

RE. *Docket No AB-1030 (Sub-No 1X), Huron & Eastern Railway Company,
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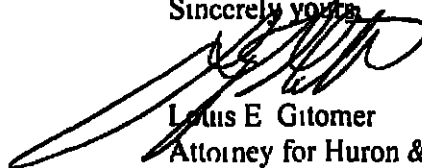
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November 21, 2008

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TOWSON, MARYLAND 21204-4022
(202) 466-6532
FAX (410) 312-0885

U S Fish and Wildlife Service, Region 3
One Federal Drive
BIFW Federal Building
Fort Snelling
Twin Cities, MN 55111

RE Docket No. AB-1030 (Sub-No 1X), *Huron & Eastern Railway Company
Inc -Abandonment Exemption-in Shiawassee County, MI*

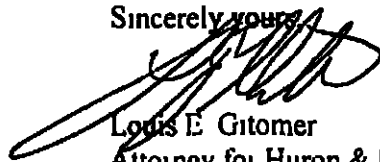
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November 21, 2008

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(202) 466-6532
FAX (410) 332-0885

National Oceanic and Atmospheric Administration
National Geodetic Survey
1315 East-West Highway
Silver Spring, MD 20910-3282

RE. Docket No AB-1030 (Sub-No 1X), *Huron & Eastern Railway Company,
Inc -Abandonment Exemption-in Shiawassee County, MI*

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TOWSON, MARYLAND 21204-4022
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FAX (410) 312-0885

U S National Park Service
Midwest Region
1709 Jackson Street
Omaha, NE 68102

RE: Docket No AB-1030 (Sub-No 1X), *Huron & Eastern Railway Company,
Inc -Abandonment Exemption-in Shiawassee County, MI*

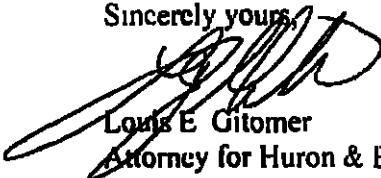
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THE ADAMS BUILDING, SUITE 301
600 BALTIMORE AVENUE
TOWSON, MARYLAND 21204-4022
(202) 466-6512
FAX (410) 332-0885

Honorable Michael Bruff
Mayor
301 West Main Street
Owosso, MI 48867

RE: Docket No AB-1030 (Sub-No 1X), *Huron & Eastern Railway Company, Inc -Abandonment Exemption-in Shiawassee County, MI*

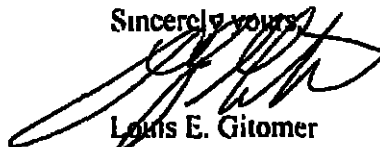
Dear Mayor Bruff,

On or about December 12, 2008, we expect to be filing with the Surface Transportation Board ("STB") a petition for exemption seeking authority for Huron & Eastern Railway Company, Inc ("HESR") to abandon a 2.5-mile rail line between Owosso, milepost 0.0, and milepost 2.5, the end of the line, in Shiawassee County, MI.

Attached is a Combined Environmental and Historic Report describing the proposed action and any expected environmental and historic effects, as well as a map of the affected area. We are providing this report so that you may review the information that will form the basis for the STB's independent environmental analysis of this proceeding. If any of the information is misleading or incorrect, if you believe that pertinent information is missing, or if you have any questions about the STB's environmental review process, please contact the Section of Environmental Analysis (SEA), Surface Transportation Board, 395 E Street, SW, Washington, DC 20423, telephone 202-245-0295 and refer to the above Docket No AB-1030 (Sub-No 1X).

Because the applicable statutes and regulations impose stringent deadlines for processing this action, your written comments to SEA (with a copy to our representative) would be appreciated within 3 weeks. Your comments will be considered by the STB in evaluating the environmental impacts of the contemplated action. If there are any questions concerning this proposal, please contact our representative directly. Our representative in this matter is Louis E. Gitomer who may be contacted by telephone at 410-296-2250, email at Lou_Gitomer@verizon.net, or mail at Law Offices of Louis E. Gitomer, 600 Baltimore Avenue, Suite 301, Towson, MD 21204.

Sincerely yours,



Louis E. Gitomer
Attorney for Huron & Eastern Railway
Company, Inc

Enclosures

**LAW OFFICES OF
LOUIS E. GITOMER**

LOUIS E. GITOMER
LOU_GITOMER@VERIZON.NET

November 21, 2008

THE ADAMS BUILDING, SUITE 301
600 BALTIMORE AVENUE
TOWSON, MARYLAND 21204-4022
(202) 466-6532
FAX (410) 332-0885

County Administrator
Shiawassee County
Surbeck Building
201 North Shiawassee Street
Corunna, MI 48817

RE. Docket No AB-1030 (Sub-No. 1X), *Huron & Eastern Railway Company,
Inc -Abandonment Exemption-in Shiawassee County, MI*

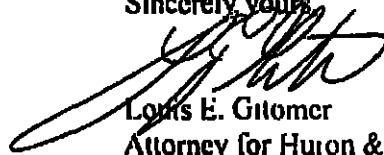
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Sincerely yours,



Louis E. Gitomer
Attorney for Huron & Eastern Railway
Company, Inc

Enclosures

**LAW OFFICES OF
LOUIS E. GITOMER**

LOUIS E. GITOMER
LOU_GITOMER@VERIZON.NET

November 21, 2008

THI. ADAMS BUILDING, SUITE 301
600 BALTIMORE AVENUE
TOWSON, MARYLAND 21204 4022
(202) 466 6532
FAX (410) 332 0885

County Administrator
Shiawassee County
Surbeck Building
201 North Shiawassee Street
Corunna, MI 48817

RE: Docket No AB-1030 (Sub-No 1X), *Huron & Eastern Railway Company,
Inc -Abandonment Exemption-in Shiawassee County, MI*

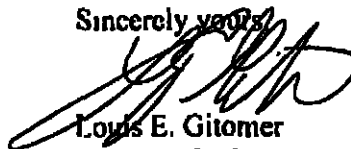
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Sincerely yours,



Louis E. Gitomer
Attorney for Huron & Eastern Railway
Company, Inc

Enclosures

EXHIBIT 3 – USGS MAP

Milepost 0 0

Milepost 2.5

Plotted, edited, and published by the Geological Survey
Copyright 1961, 1962, 1963, 1964, 1965, 1966, 1967, 1968, 1969, 1970, 1971, 1972, 1973, 1974, 1975, 1976, 1977, 1978, 1979, 1980, 1981, 1982, 1983, 1984, 1985, 1986, 1987, 1988, 1989, 1990, 1991, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025

THIS MAP COMPLETES A SERIES OF MAPS OF THE
OWEGO SOUTH CHAIRS, MICHIGAN-MINNESOTA CO
7.5 MINUTE SERIES (HYPOGRAPHIC)
1961

OWEGO SOUTH CHAIRS
MICHIGAN-MINNESOTA CO
7.5 MINUTE SERIES (HYPOGRAPHIC)
1961

CERTIFICATE OF SERVICE OF COMBINED ENVIRONMENTAL AND HISTORIC REPORT

Pursuant to the requirements of 49 C F R §1105 7(c), 8(c), and 11 the undersigned hereby certifies that a copy of the Combined Environmental and Historic Report in Docket No AB-1030 (Sub-No 1X) was mailed via first class mail on November 21, 2008, to the following parties

Manager, Federal Project Review
Michigan Department of Commerce
Michigan Neighborhood Builders Alliance
P.O. Box 30242
Lansing, MI 48909

Michigan Historic Center
702 West Kalamazoo Street
P O Box 30740
Lansing, MI 48909-8240

Michigan Department of Environmental Quality
P O Box 30473-7973
Lansing, MI 48909

Detroit District Headquarters
U S Army Corps of Engineers
Detroit District
477 Michigan Ave
Detroit, MI 48226

**USDA Natural Resources Conservation Service
3001 Coolidge Street
East Lansing, MI 48823-6350**

**U S Environmental Protection Agency, Region 5
Metcalf Building
Office of Strategic Environmental Analysis
77 West Jackson Boulevard, Mailcode B-19J
Chicago, IL 60604**

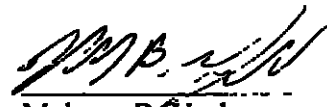
**U S Fish and Wildlife Service, Region 3
One Federal Drive
BIW Federal Building
Fort Snelling
Twin Cities, MN 55111**

**National Oceanic and Atmospheric Administration
National Geodetic Survey
1315 East-West Highway
Silver Spring, MD 20910-3282**

**U S National Park Service
Midwest Region
1709 Jackson Street
Omaha, NE 68102**

**Honorable Michael Bruff
Mayor
301 West Main Street
Owosso, MI 48867**

**County Administrator
Shiawassee County
Surbeck Building
201 North Shiawassee Street
Corunna, MI 48817**



Melanie B Yashin

April 7, 2009

EXHIBIT C—FEDERAL REGISTER NOTICE

HURON & EASTERN RAILWAY COMPANY, INC –ABANDONMENT EXEMPTION–
IN SHIAWASSEE COUNTY, MI

Notice of Petition for Exemption to Abandonment

On April 7, 2009 Huron & Eastern Railway Company, Inc (“HESR”) filed with the Surface Transportation Board, Washington, D C 20423, a petition for exemption for the abandonment of a 2.50-mile rail line between Owosso, milepost 0.0, and the end of the line, milepost 2.5, in Shiawassee, MI, all of which traverses through United States Postal Service ZIP Codes 48841 and 48867 (the “Line”) The Line for which the abandonment exemption request was filed includes the station of Owosso

The Line does not contain federally granted rights-of-way Any documentation in the railroad's possession will be made available promptly to those requesting it

The interest of railroad employees of HESR will be protected by *Oregon Short Line R Co —Abandonment—Goshen*, 360 I C C 91 (1979)

By issuance of this notice, the Board is instituting an exemption proceeding pursuant to 49 U.S.C. 10502(b) A final decision will be issued by July 24, 2009

Any offer of financial assistance (OFA) under 49 CFR 1152.27(b)(2) will be due no later than 10 days after service of a decision granting the petition for exemption Each OFA must be accompanied by the filing fee, which is currently set at \$1,500 See 49 CFR 1002.2(f)(25)

All interested persons should be aware that following abandonment of rail service and salvage of the line, the line may be suitable for other public use, including interim trail use

Any request for a public use condition and any request for trail use/rail banking will be due no later than 20 days after notice of the filing of the petition for exemption is published in the Federal Register.

All filings in response to this notice must refer to STB Docket No AB-1030 (Sub-No 1X) and must be sent to: (1) Surface Transportation Board, 395 E Street, S W , Washington, DC 20423-0001, and (2) Melanie B Yashin, 600 Baltimore Avenue, Suite 301, Towson, MD 21204

Persons seeking further information concerning discontinuance procedures may contact the Board's Office of Congressional and Public Services at (202) 245-0230 or refer to the full abandonment and discontinuance regulations at 49 CFR Part 1152 Questions concerning environmental issues may be directed to the Board's Section of Environmental Analysis (SEA) at (202) 245-0305 [Assistance for the hearing impaired is available through the Federal Information Relay Service (FIRS) at 1-800-877-8339]

Board decisions and notices are available on our website at "WWW STB DOT GOV "

Decided . _____ , 2009

By the Board,

**Anne K Quinlan
Acting Secretary**

EXHIBIT D—NEWSPAPER CERTIFICATION

CERTIFICATE OF PUBLICATION

The undersigned hereby certifies that notice of the proposed abandonment in Docket No AB-1030 (Sub-No. 1X) was advertised on April 3, 2009 in the Argus-Press, a newspaper of general circulation in Shiawassee County MI, as required by 49 C F R § 1105.12

A handwritten signature in black ink, appearing to read 'Melanie B. Yasbin', written over a horizontal line.

Melanie B. Yasbin
April 7, 2009

EXHIBIT E—CERTIFICATE OF SERVICE

CERTIFICATE OF SERVICE

Pursuant to 49 C.F.R. §1152.60(d), the undersigned hereby certifies that the Petition for Exemption in Docket No AB-1030 (Sub-No 1X), *Huron & Eastern Railway Company, Inc.—Abandonment Exemption—in Shiawassee County, MI* was mailed via first class mail, postage prepaid, on April 7, 2009, to the following parties

State Public Service Commission

Michigan Department of Transportation
P O Box 30050
Lansing, MI 48909

Public Service Commission
6545 Mercantile Way, Suite 7
Lansing, MI 48909

Military Surface Deployment and Distribution Command Transportation Engineering Agency

Headquarters
Military Surface Deployment and Distribution Command
Transportation Engineering Agency
ATTN: SDITL-SA (Railroads for National Defense)
709 Ward Drive, Building 1990
Scott AFB, IL 62225-5357

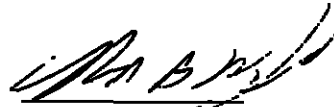
National Park Service

U S Department of Interior
National Park Service
Land Resources Division
800 North Capitol Street, N E
Room 540
Washington, DC 20002

Mr Rick Potts
Program Chief
Rivers, Trails and Conservation Assistance Program National Park Service
1849 C Street, N W (Org Code 2220)
Washington, DC 20240

U.S. Department of Agriculture

U S Department of Agriculture
Chief of the Forest Service
4th Floor, NW
Sidney R Yates Building
201 14th Street, S.W
Washington, DC 20250

A handwritten signature in black ink, appearing to read 'Melanie B. Yashin', written over a horizontal line.

Melanie B. Yashin
April 7, 2009

**EXHIBIT F-MARK D. GARVIN VERIFIED
STATEMENT**

HURON & EASTERN RAILWAY COMPANY, INC
—ABANDONMENT EXEMPTION—IN SHIAWASSEE COUNTY, MI

VERIFIED STATEMENT OF MARK D GARVIN

My name is Mark D Garvin and I am Director of Capital Planning-Estimates of RailAmerica, Inc ("RailAmerica"), a shortline holding company that controls Huron & Eastern Railway Company, Inc (HESR). I have a B.S in Civil Engineering from Michigan Technological University. My engineering work in the railroad industry began over 25 years ago on Conrail as a management trainee. I soon became an assistant track supervisor in charge of track maintenance. I joined Grand Trunk Western Railroad Company as a track supervisor, in charge of system track gangs performing capital projects. I joined RailAmerica as a Project Manager, became Chief Engineer in January 1997, and recently became Director of Capital Planning-Estimates. My current duties include the acquisition of track equipment and material, the selection and training of maintenance of way personnel, the engineering evaluation of potential acquisition properties, and the development of maintenance and rehabilitation plans for properties acquired by RailAmerica.

I am familiar with the 2.5-mile rail line between Owosso, milepost 0.0 and the end of the line, milepost 2.5, in Shiawassee County, MI (the "Line").

I will discuss the value of the track and materials on the Line, the cost of rehabilitation of the Line, and the annual maintenance-of-way costs once the Line is rehabilitated.

1. Value of Track and Materials. Each of RailAmerica's subsidiary railroads maintain an inventory of track and materials on its lines under my supervision as Director of Capital Planning-Estimates. In addition, each railroad conducts regular inspections of its lines to maintain the accuracy of the inventory and the condition of the inventory. Attached as the Exhibit to this verified statement is the list of inventory on the Line.

The inventory includes rail, other track material ("OTM"), ties, signals and turnouts. The rail, OTM, and turnouts are classified as relay, re-roll, or scrap. The valuations are based on recent quotations obtained by HESR and RailAmerica from rail suppliers and quotations in national publications. Liquidation costs are based on my experience with the cost of removal and transportation and recent quotations received by HESR and RailAmerica for removal and transportation.

The Exhibit includes the rail, OTM, ties, signals, and turnouts on the 2.5-mile main line and also the rail, OTM, ties, signals, and turnouts for sidings, team tracks, spurs, and other ancillary tracks used in the operation of the Line.

As shown in the Exhibit, the net liquidation value of the railroad assets is \$230,239.

2. Rehabilitation. It is my judgment based on my long experience in the railroad industry that \$243,600 in capital expenditures are required to rehabilitate the Line so that it will remain in Federal Railroad Administration ("FRA") Class 1 condition. It will cost approximately \$153,600 (2,400 ties @ \$44.00 per tie and \$20 per tie installation) to replace the ties on the 2.5-mile Line. The number of ties used may be considered high, but is attributable to the type of hazardous material transported on the Line, the only commodity hauled on the Line. Maintaining FRA Class 1 levels means having at least 5

good ties per 39 feet of rail, which when calculated equals 1,692 ties to be replaced in 2.5 miles. I would, however, replace 2,400 ties on the Line. This higher level of ties is necessary to ensure a safe roadbed for handling hazardous materials taking into account the curves on the Line, and the FRA requirement to have a good tie on each side of a joint. In addition, the road crossings on the Line will require rehabilitation of \$90,000.

3. Maintenance-of-way. I have reviewed with the four Field Chief Engineers for the RailAmerica railroads the recent costs per mile adopted by the Surface Transportation Board for Class III railroads for maintenance of way costs. Those costs range between \$4,500 and \$6,000 per mile. Based on consultation and experience, I believe use of \$5,000 per mile is conservative based on the need to replace more ties because of the hazardous material transported on the Line.

In addition to this cost, FRA requires weekly track inspections for this Line. There is one inspector who earns \$16.45 per hour. In addition, employee benefits are about 72.5 percent of wages, and general administrative costs of 50 percent of wages. Therefore, to inspect the Line costs about \$42.56 per hour. The inspector uses a truck that costs \$550.00 per month or about \$18 per day or approximately \$2.25 an hour. Fuel costs about \$2.20 per gallon. Based on the average amount of time it takes to inspect the Line of one hour per week, inspection costs HFSR \$47.01 per week, and \$2,444.52 per year.

On this 2.5-mile line, the annual cost of maintenance would be about \$14,944.

VERIFICATION

I, Mark D. Garvin, verify under penalty of perjury under the laws of the United States that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this Verified Statement.

Executed on March 26, 2009


Mark D. Garvin

Liquidation Value of Railroad Asset
HESR Anderson Spur MP 0.0-2.5

March 25, 2009

Rail										
Weight	Jnt./CWR	Miles	NT/Mile	Total NT	Total GT	Class	Price NT	Price GT	Total \$ NT	Total \$ G I
105lb	jnt	2	175.56	351.12	313.50	relay	\$700		\$245,784	
105lb	jnt	0.5	170.02	85.01	75.90	scrap	\$165		\$14,026	

**EXHIBIT G—ROBERT M. FRELICH, JR. VERIFIED
STATEMENT**

HURON & EASTERN RAILWAY COMPANY, INC
—ABANDONMENT EXEMPTION—IN SHIAWASSEE COUNTY, MI

VERIFIED STATEMENT OF ROBERT M. FRELICH, JR.

My name is Robert M. Frellich, Jr and I am Director of Finance of RailAmerica, Inc (“RailAmerica”), a shortline holding company that controls the Huron & Eastern Railway Company (“HESR”). The purpose of this verified statement is to describe how I developed the revenues and costs of HESR for the 2.5-mile rail line between Owosso, milepost 0.0 and the end of the line, milepost 2.5, in Shiawassee County, MI (the “Line”).

I have been Director of Finance for last three years and was Director of Planning for the prior nine years with RailAmerica. As Director of Planning, I was responsible for planning, analyzing traffic profitability and financial results, acquisition modeling, and budgeting for RailAmerica’s subsidiary railroads. My prior experience with Southern Pacific was as Director of Budgeting for Operating Department.

My current duties include responsibility for planning, cost modeling, profitability analysis, analyzing financial results, acquisition modeling and budgeting of railroads for two regions.

1. Background. The Surface Transportation Board (the “Board”) has developed a very sophisticated methodology in 49 C.F.R. Part 1152 Subpart D for calculating revenues and avoidable costs for a line of railroad that a railroad is seeking to abandon. The predicate for using these procedures is maintaining data in accordance with the Branch Line Accounting System (the “BLAS”). Only Class I railroads are required to

maintain records in accordance with the BLAS. As a Class III railroad, HESR does not maintain its records in accord with the BLAS.

Using the data and resources available to me from the HESR, I have tried to present the Board with an accurate analysis of the revenue generated by the Line and the costs of operating the Line. In conducting this analysis, I have developed a Forecast Year based on traffic from the customer on the Line who would continue to use rail service if the Line were not abandoned.

2. Forecast Year Traffic. Airgas Specialty Products ("ASG") is the only shipper on the Line and is located at the end of the Line. Traffic on the Line has steadily declined from 21 carloads in 2005 to 17 carloads in 2006, 14 carloads in 2007, and nine carloads in 2008. No carloads have moved over the Line to date in 2009. Since traffic to ASG has declined and no traffic has moved over the Line in 2009, I will adopt a conservative approach and use the 2008 traffic as the Forecast Year Traffic.

3. Revenue. In 2008, ASG received nine carloads and generated total revenue of \$6,723. I will adopt the 2008 revenue as the revenue for the Forecast Year.

4. Avoidable Costs. In calculating the avoidable costs of operating over the Line, I will determine the costs of operation and use the costs to maintain the Line prepared by Mr. Garvin.

a. Costs of Operation. The cost to operate a train on the Line depends on the amount of time spent on the Line, the numbers of trips on the Line, the number of employees and their compensation, the number of locomotives used and their cost, the cost of fuel, and the overhead costs that include general and administrative costs, and depreciation.

In the Forecast Year, HESR proposes to serve the Line on as needed basis

The crew and equipment used to serve the Line originate in Durand, MI and travel to Owosso, MI. It takes five hours to serve AGS. Service is performed at the end of shift, which requires three hours of straight time and two hours of overtime for two crewman

In 2008, there were two people in the train crew serving the Line. A two person crew is standard on HESR. I foresee a two person train crew for the Forecast Year. Hourly wages are \$18.45 for each crew member, overtime is 1.5 times the base wage, and benefits are equal to 72.5 percent of straight time wages. For each round trip from Durand to Owosso to Durand, employee costs for the road crew are \$355.16 ($\18.45 (hourly wage) \times 2 (number of crew) \times 3 (hours time per trip) + $\$18.45$ (hourly wage) \times 2 (number of crew) \times 2 (hours per trip) \times 1.5 (overtime) + $18.45 \times 2 \times 5 \times 1.725$ (benefits)). For nine annual trips the crew costs are \$3,196.

HESR uses one GP38 locomotive for the round trip from Durand to Owosso. Engine rental is \$110 per run. The locomotive burns about 40 gallons of fuel per trip. The cost of fuel fell to about \$2.00 per gallon by the end of the 2008. To be conservative, I will use the cost of fuel that HESR paid at the end of 2008, despite the recent increase in fuel costs. For each trip, the locomotive fuel cost is \$80 ($\2.00×40 gallons). The locomotive cost for each trip is \$190, and for 9 trips per year, the locomotive cost will be \$1,710. In addition, there is a cost of \$108 per trip in Durand associated with switching the cars for forwarding to ASG. Annual switch charges are \$972.

For each trip, the crew costs are \$355.16, locomotive costs are \$190, and switching costs \$108 for a total cost per trip of \$653.16. Annual costs are \$3,196 for the crew, \$1,710 for the locomotive, and \$972 for the switching for a total annual cost of

operations of \$5,878. Overhead is an additional 50 percent, which brings the total annual operating cost to \$8,817.

b. Maintenance of Way Costs. Mr. Garvin has developed an annual maintenance of way cost of about \$14,944 for the Line, which I adopt and will use.

c. Summary of Avoidable Costs. The annual operating costs on the Line are \$8,817. Annual maintenance of way costs on the Line are \$14,944. Total avoidable costs on the Line are \$23,761.

5. Forecast Year Revenue. The annual revenue projected for the Line is \$6,723. Annual avoidable costs are \$23,761, resulting in avoidable costs of net loss of \$17,038.

6. Opportunity Costs. Opportunity costs are the economic loss HESR incurs from forgoing a more profitable alternative use of its assets. In calculating the opportunity cost of HESR's road property, I have followed the Board methodology of determining the investment base, which is equal to the sum of (1) allowable working capital, (2) the net liquidation value (NLV) of the line; and (3) current income tax benefits (if any) resulting from abandonment. I then multiply the valuation of the road properties by the current nominal rate of return, to yield the nominal return on value. The nominal return is then adjusted by applying a holding gain (or loss) to reflect the increase (or decrease) in value a carrier will expect to realize by holding assets for 1 additional year.

a. Calculation of net salvage value ("NSV").

Mr. Garvin is responsible for the development of maintenance and rehabilitation plans for HESR. Based on HESR's records, an inspection of the Line, the latest costs of

rail materials, and the cost of removal and transportation. Mr Garvin calculates the NSV of the Line to be \$230,239 (See Exhibit F and the Exhibit thereto)

b. Calculation of the value of real estate ("VRE").

The VRE has been calculated based on an appraisal performed by Mr Cecil to be \$150,000 Hence, the net liquidation value ("NLV") of the Line is \$380,239

c. Calculation of 15 days working capital.

I calculated the annual cost of operating and maintaining the Line to be \$23,761 Working capital for the computation of opportunity costs is calculated as 15 days of the costs of the Line I have divided the operating costs and maintenance costs (\$23,761), by 365 and multiplied that amount by 15 to arrive at the 15 days of working capital of \$976

d. Nominal cost of capital.

The Board has recently accepted the nominal cost of capital for a Class III railroad of 17 24 percent Therefore, HESR has decided to use 17 24 percent as the nominal cost of capital in calculating the opportunity costs of the Line.

e. Income tax consequences.

The book value of the Line is \$380,239 The NLV of \$380,239 less the book value yields no gain. Therefore, sale of the Line will have no tax consequences

f. Holding gain.

Because of the volatility of the market for scrap and reusable steel and the decline in the market for real estate, HESR estimates that there will be no holding gain or loss in the current economic environment The Board has accepted such an analysis.

g. Calculation of Opportunity Costs.

The following Table shows the opportunity cost calculation.

Working Capital	\$ 976
NLV	\$380,239
Taxes	\$ 0
Holding Gain	\$ 0
Valuation	\$381,215
Nominal Rate of Return	17.24%
Opportunity Cost	\$ 65,721

CONCLUSION

The annual avoidable cost of operating the Line in the Forecast Year will be \$8,817. Annual costs of maintaining the Line in its current condition are \$14,944. The opportunity cost of the Line is \$65,721. The cost to rehabilitate the Line to FRA Class 1 is \$243,600, as calculated by Mr. Garvin.

My analysis leads me to conclude that the revenue projected is insufficient to pay the cost of the Line, much less the cost of rehabilitating the Line. The Line is a drain on the resources of HESR, a Class III railroad, and therefore a burden on HESR and interstate commerce.

VERIFICATION

I, Robert M. Frelich, Jr., verify under penalty of perjury under the laws of the United States that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this Verified Statement.

Executed on March 27, 2009.


Robert M. Frelich, Jr

EXHIBIT H–TODD N. CECIL VERIFIED STATEMENT

HURON & EASTERN RAILWAY COMPANY, INC
—ABANDONMENT EXEMPTION—IN SHIAWASSEE COUNTY, MI

VERIFIED STATEMENT OF TODD N. CECIL


My name is Todd N. Cecil. I am employed as Vice President, Real Estate, for RailAmerica, Inc., and am responsible for the management, development and disposition of the various real estate interests of RailAmerica's subsidiaries, including the Huron & Eastern Railway Company, Inc. ("HER") My credentials are provided in the Exhibit. The purpose of this statement is to provide the Surface Transportation Board with the valuation of the real estate on the 2.5-mile rail line between Owosso, milepost 0.0, and the end of the line, milepost 2.5, in Shiawassee County, MI (the "Line")

A recently negotiated agreement for the sale of two similar railroad corridor segments in Michigan to a trails group reflects a purchase price unit rate of approximately \$60,991 per mile. In my professional opinion, based on the location and highest and best use of this Line, and on the above recently negotiated agreements to sell two lines in Michigan to a trails group, I believe the value of the real estate on this Line is \$150,000

VERIFICATION

I, Todd N Cecil, verify under penalty of perjury under the laws of the United States that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this Verified Statement.

Executed on March 30, 2009.



Todd N. Cecil

EXHIBIT-QUALIFICATIONS OF MR. CECIL

My office address is 1355 Central Parkway South, Suite 700, San Antonio, TX 78232. I have been employed by RailAmerica since its acquisition of RailTex, Inc. in February 2000. Prior to that time I was employed by RailTex for seven years (since February 1993), most recently in the position of Vice President – Real Estate.

My current duties and responsibilities include the management, development and disposition of the various real estate interests included within RailAmerica's international railroad portfolio. These real estate interests are located all throughout the United States and Canada. Included in my duties are the appraising of various interests in railroad-owned real estate, reviewing the appraisals of others, and handling negotiations for sales, leases, acquisitions and other real estate transactions.

My prior railroad-related real estate experience consists of ten years with various subsidiaries of CSX Transportation, Inc. (including Chessie Resources, Inc., CSX Resources, Inc., Chessie Systems, and CSX Real Property, Inc.) between 1980 and 1990. During this period I rose through the corporate ranks to the level of Regional Manager, Great Lakes, with responsibility for the management of all CSX real estate holdings in Michigan, Ontario, and portions of Indiana and Illinois (including Chicago).

Also, for three years between my employment with CSX and RailTex (1990-1993), I was employed by Trerice Tosto, a metro-Detroit full-service real estate company in the position of Vice-President of the Appraisal and Consulting Division. During this time I was involved in the appraisal of many types of income producing properties (including industrial, commercial, residential and special purpose properties), and also

provided corridor and other real estate valuation consulting services to railroad and utility companies

I am a 1977 graduate of Bowling Green State University (Bowling Green, Ohio) with a Bachelor of Arts Degree in Geography (Regional Planning) I also earned a Master of Arts Degree in Geography from the same university in 1980

I have successfully completed numerous real estate appraisal courses offered by the Appraisal Institute (formerly the American Institute of Real Estate Appraisers) including

- Real Estate Appraisal Principles
- Basic Valuation Procedures
- Capitalization Theory and Technique - Part 1
- Capitalization Theory and Technique - Part 2
- Capitalization Theory and Technique - Part 3
- Case Studies in Real Estate Valuation
- Valuation Analysis and Report Writing
- Investment Analysis
- Standards of Professional Practice
- Real Estate Disclosure
- Litigation Valuation
- Internet Search Techniques for Real Estate Appraisers
- GIS Applications for Real Estate Appraisal

In summary, my professional railroad real estate experience includes over 25 years of appraising, selling, leasing, and managing railroad properties. Included in this experience are numerous railroad corridor valuation and disposition projects. These properties include numerous railroad corridors and railroad corridor segments (including urban, suburban, and rural) running through diverse neighborhood types and consisting of a wide spectrum of highest and best uses

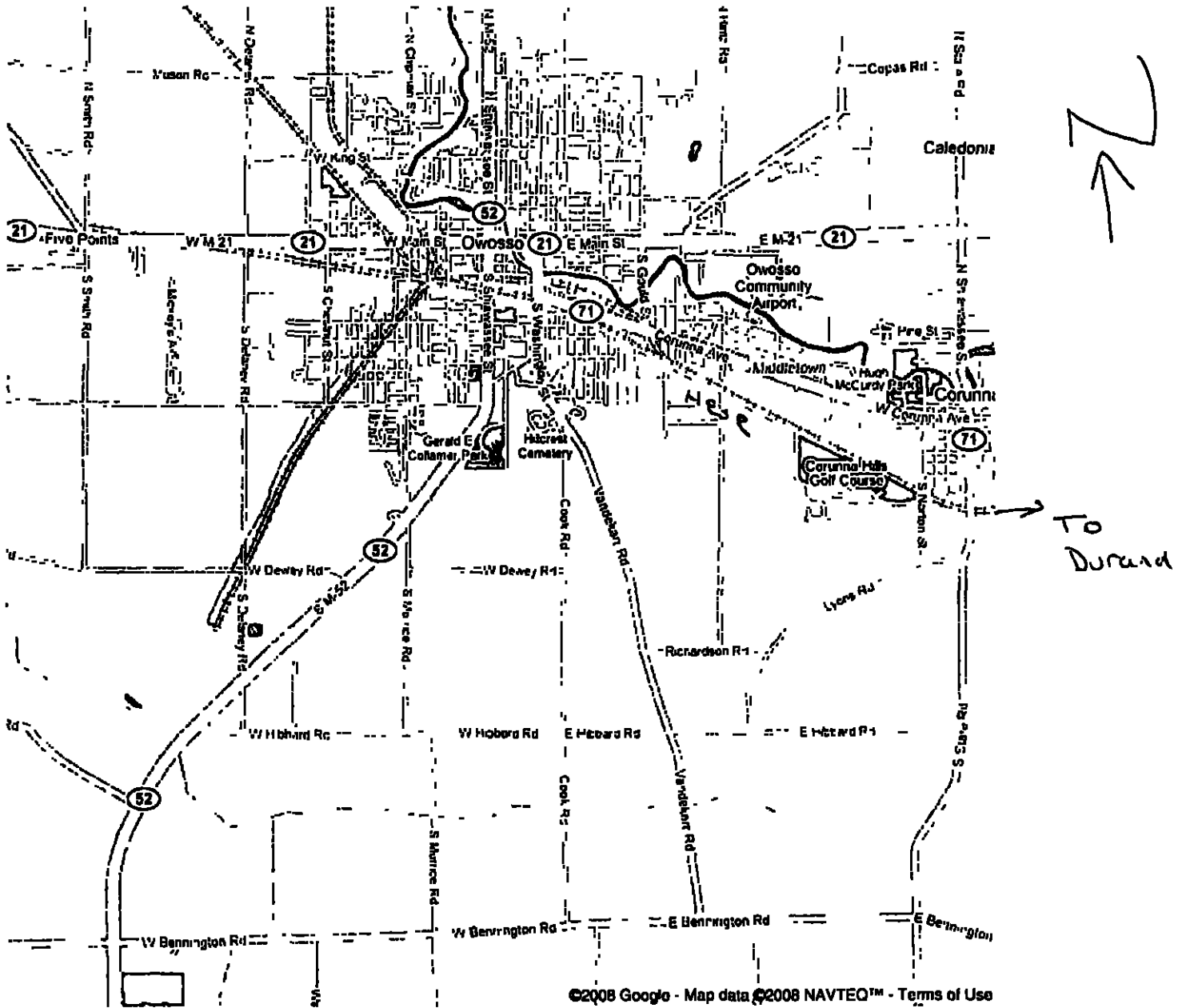
I have also prepared and reviewed appraisals and valuation studies of virtually all types of property (commercial, industrial, residential, special purpose, railroad corridors, etc.) located in over twenty (20) states located throughout the country, in Canada, and in Chile

In addition, over the years I have been involved in negotiating hundreds of purchase and sale transactions involving railroad real estate properties. This experience has provided me with unique insight into the value potential of railroad real estate, the potential motivations of purchasers for these properties, as well as a feel for the marketability of railroad properties of nearly all potential land uses.

EXHIBIT I—COLOR EXHIBITS

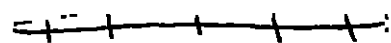


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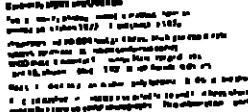


Owosso, MI

Proposed Abandonment



3-67580 SOUTH OJIBWANGLER
NICHOLAI-SMITH WHEEL CO
75 HUNTER STREET (TOPOGRAPHIC)
1940-1941



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DW0590 SOUTH MICH

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